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UNCLAS ANKARA 003258

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SENSITIVE

E.O. 12958: N/A
TAGS: EINV EPET EFIN TU
SUBJECT: TURKEY'S TUPRAS REFINERY COMPANY PRIVATIZATION -
MAYBE?

REF: ANKARA 269

SENSITIVE BUT UNCLASSIFIED. PLEASE HANDLE ACCORDINGLY.

¶1. (U) Summary: There is significant foreign and domestic interest in the privatization of Turkish state refinery company (TUPRAS), reportedly including a U.S. company. The petroleum labor union, which successfully battled the last tender attempt (to Russian Tatneft), is gearing up a public campaign against the prospective sale of one of Turkey's crown jewels to private -- possibly foreign -- owners. End Summary.

¶2. (U) According to a June 8 Reuters report based on Privatization Administration (PA) sources, 12 parties have applied to receive the "tender specification" document for TUPRAS (Turkish state-owned Oil Refineries)- slated for privatization in 2005. According to the report, there were four national and eight foreign companies interested in the bid for the 51 percent block sale of TUPRAS. The tender bidding deadline is September 2. Reuters reported that the interested parties included :Repsol -Spain; PKN Orlen - Poland; IOC - India; ENI - Italia; OMV - Austria; Shell - British/Dutch; Petrol Ofisi (POAS) - Turkey; OYAK - Turkey; OPET- Turkey; and Zorlu Holding - Turkey. Reuters also reported that an unnamed U.S. company was a partner in one joint bidding group (Note: Embassy has no confirmation of this. End note.)

¶3. (SBU) Project Group Head for the TUPRAS Privatization at the PA, Arzu Atik, told Econ Specialist that the PA has not yet made an official announcement about the bidders, but noted that the deadline to obtain the tender "prequalification" document was June 22. Similar to other block sale privatizations, he explained that acquiring the tender specification document would not guarantee that a bidder is qualified to bid. He said the companies or joint bidding groups that would receive the prequalification documents would be made public shortly after June 22. However, Atik added that most of the reported names were correct.

¶4. (SBU) While the PA is striving to adhere to its TUPRAS privatization calendar, the union of public sector petroleum workers, Petrol-Is, is actively opposing the privatization of TUPRAS (and the petrochemical company PETKIM.) The union sponsored newspaper advertisements and posted a prominent billboard advertisement near the President's home in Ankara, proclaiming that "Tupras is our future, it cannot be sold." The photo depicts a young Anatolian girl with a gold necklace (a traditional store of value) representing "Tupras", at risk as another of Turkey's "crown jewels" to be snatched up by mysterious buyers (holding a greedy gasoline pump). The ad also goes out of its way to link the privatization to the IMF: it makes the (highly questionable) case that selling Tupras would yield fewer financial benefits to the state than would derive from the future stream of Tupras earnings, which would enable the state to pay off its debt to the IMF.

¶5. (SBU) Comment: Despite the GOT's apparent determination to sell TUPRAS, the privatization will more than likely be challenged again by labor unions, or some other anti-foreign investment interest group (see Reftel). Anti-foreign ownership sentiments have been growing in Turkey, especially after recent announcements of acquisitions in the Turkish financial sector. Another key pending privatization, Turk Telekom, may also attract similar nationalist fears and ire. The Privatization Administration is marshalling new legislation to limit judicial appeals, but the grounds for the previous TUPRAS sale cancellation (sale in conflict with public benefit) could still conceivably be just as successfully pushed.

Moore